

**Sumner County  
Regional Airport Authority  
Audited Financial Statements  
June 30, 2010**

**Sumner County  
Regional Airport Authority  
June 30, 2010**

TABLE OF CONTENTS

	<u>Page</u>
Letter of Transmittal .....	3
Roster of Board Members and Officials.....	4
Independent Auditor's Report .....	5-6
Management's Discussion and Analysis .....	7-9
Financial Statements:	
Statement of Net Assets .....	10
Statement of Revenues, Expenditures and Changes in Net Assets .....	11
Statement of Cash Flows.....	12
Notes to Financial Statements.....	14

Other Reports

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> .....	22
Schedule of Audit Findings and Responses .....	24

**Sumner County  
Regional Airport Authority  
1475 Airport Rd.  
Gallatin, Tennessee 37066  
June 30, 2010**

**To the Members of the Authority**

The financial statements of the Sumner County Regional Airport Authority (the "Authority") for the fiscal year ended June 30, 2010 are hereby submitted to the Authority Board and all others interested in the financial condition of the Authority. This report is published in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the financial position of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal should be read in conjunction with the MD&A which can be found immediately following the report of the independent auditor.

Dr. Wayne Hooper, Jr.  
Treasurer

Steve Sudbury  
Airport Administrator

**Sumner County Regional Airport Authority  
Roster of Board Members and Officials**

**Officers**

David Hunter	Chairman
Dr. Tom Graves	Vice-Chairman
Sue McPherson	Secretary
Dr. Wayne Hooper	Treasurer

**Board of Commissioners**

Tim Adair	David Blankenship
Richard Coker	Dan Downs
Jerry Kirby	Kevin McCutcheon
Charles Moore	

**Other Officials**

Steve Sudbury	Airport Administrator
Jet Harbor, Inc.	Fixed – Base Operator

**Carl A. Davis & Company**  
**Certified Public Accountants**

131 Maple Row Boulevard  
Suite A100  
Hendersonville, TN 37075

Phone: 615-822-0231

Fax: 615-822-2220

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Commissioners  
Sumner County Regional Airport Authority  
Gallatin, Tennessee

We have audited the accompanying financial statements of the Sumner County Regional Airport Authority (the "Authority"), a component unit of Sumner County, Tennessee, as of and for the year ended June 30, 2010, which comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's Board of Commissioners. Our responsibility is to express an opinion on these financial statements based on our audit.

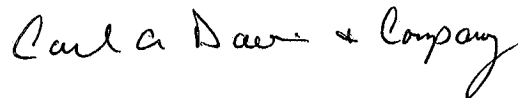
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts, and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Sumner County Regional Airport Authority, a component unit of Sumner County, Tennessee as of June 30, 2010, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2010, on our consideration of the Sumner County Regional Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control

over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 7 thru 9 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Carl A. Davis & Company".

Carl A. Davis & Company, CPAs  
Hendersonville, Tennessee  
November 19, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This Management Discussion and Analysis (the "MD&A") of the Sumner County Regional Airport Authority provides an introduction to the major activities affecting the operations of the airport and an introduction and overview to the financial performance and statements of the Sumner County Regional Airport Authority (the "Authority") for the fiscal year ended June 30, 2010.

Following the MD&A are the basic financial statements of the Authority together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

### **Financial Statements**

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board, (the "GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Statement of Net Assets and the Statement of Revenues, Expenditures and Changes in Net Assets provide information about the activities of the Authority and present a longer-term view of the Authority's finances. The Statement of Cash Flows depicts how the Authority's cash was used during the year.

### **Airport Activities & Highlights**

The Sumner County Regional Airport continues to expand its operations and improve its image as a premier provider of general aviation services in the Middle Tennessee area. Pursuant to state law, the Authority began formulating a twenty-year development plan for all of its facilities in early 2006. Among other things, the plan provides an in-depth look at where the Authority sees itself headed in the decades to come.

In order to implement this type of long-term planning, the Authority needed to hire an engineering firm that possessed substantive knowledge of both general aviation and airport structure. The Authority also looked for a firm that could manage not only the ongoing construction projects, but also the airport's growth and terminal area development plans. After reviewing more than thirteen highly qualified firms, the Authority chose world-renown engineering firm R.W. Armstrong, who immediately began developing a new airport layout plan. That plan is now complete in principal, and is currently awaiting approval from the FAA.

But, the Authority's efforts to upgrade its facilities do not stop there. Since 2005, the Authority has applied for, and received, grants totaling over \$7.5 million. In

addition, several other projects have been recently completed or are currently underway. These include runway safety projects, reconstruction of the north end hangar apron, the addition of a ten-unit "T" hangar with an additional taxiway and apron. The Authority has also repaired tarmac surface cracks and sealed the existing taxiways and aprons. As a safety precaution, the Authority removed all underground storage tanks on the premises, and replaced them with an above ground fuel system for both "100 low-lead" and "Jet-A" fuel.

The Authority has also completed the purchase of the first twenty-four acre tract of land for the purpose of relocating Airport Road, which currently marks the eastern boundary of the property. The Authority is continuing the process of purchasing additional acreage which will allow for that relocation consistent with our new airport layout plan. The Authority has also received additional grants toward our runway extension project and is in the process of conducting an environmental assessment (separately funded by federal grant) which is necessary for the completion of the runway extension.

Long term, the Authority must continue to play a vital role in industrial recruiting, community development, and aviation advancement as it relates the future of Sumner County. The Authority firmly believes that its ongoing efforts will do much to assure that this goal is met. When all of these projects are complete, the Authority is certain that the Sumner County Regional Airport will be second to none in general aviation in Middle Tennessee.

## **Summary of Operations and Changes in Net Assets**

### **Operations**

Operating income was increased approximately 33% in the current year as compared to 2009 with the leasing of the new hangars. The Authority received grant funds of \$228,534 from the State of Tennessee which was used in the above noted expansion. The construction is overseen by the State and all expenditures are reviewed for propriety by the State. Operating Expenses were approximately 6% lower than last year primarily due to decreases in maintenance and depreciation. .

Below is a summary of the Authority's results of operations and changes in net assets for the years ended June 30, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Operating Revenues	\$203,770	\$178,238
Operating Expenses	149,922	159,876
Profit (loss) before depreciation and non-operating revenue	53,848	(989)
Depreciation	344,619	368,882
Loss before non-operating revenue	(290,771)	(369,871)
Non-operating Revenue, net	236,336	2,097,852
<b>Increase (Decrease) in Net Assets</b>	<b>(\$54,435)</b>	<b>\$1,727,980</b>



## Net Assets

The largest portion of the Authority's net assets (83% for the year ended June 30, 2010) represents its investment in capital assets (e.g., buildings, improvements and equipment). The Authority uses these capital assets to provide services to the pilots and other users at the Airport; consequently, these assets are not available for future spending. The remaining unrestricted net assets may be used to meet any of the Authority's ongoing obligations.

The following is a summary of the Authority's assets, liabilities and net assets at June 30, 2010 and 2009:

	2010	2009
<b>ASSETS:</b>		
Current and other assets	\$ 922,012	\$843,724
Capital assets	4,639,709	4,447,746
<b>Total assets</b>	<b>5,561,721</b>	<b>5,622,771</b>
<b>LIABILITIES:</b>		
Accounts Payable and Other Liabilities	645,175	351,790
<b>Total liabilities</b>	<b>645,175</b>	<b>351,790</b>
<b>NET ASSETS:</b>		
Invested in capital assets	4,639,709	4,447,746
Unrestricted	276,837	823,235
<b>Total Net Assets</b>	<b>4,916,546</b>	<b>5,270,981</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$4,918,391</b>	<b>\$5,322,772</b>

## Request for Information

These financial statements are designed to provide detail information on the Authority's operations and to all those with an interest in the Authority's financial affairs. Questions concerning any of the information provided in this report or any request for additional information should be addressed to Dr. Wayne Hooper, Jr., Treasurer, or Steve Sudbury, Airport Administrator.

Sumner County Regional Airport Authority  
Statement of Net Assets  
June 30, 2010

**Assets**

Current Assets

Cash	\$ 305,252
Certificate of Deposit	316,044
Deposits with State	155,465
Prepaid expenses	<u>14,755</u>

Total Current Assets	<u>791,515</u>
----------------------	----------------

Non-current Assets

Capital assets, net of accumulated depreciation	4,639,709
Other non-current assets	<u>130,497</u>
Total Non-current Assets	<u>4,770,206</u>

<b>Total Assets</b>	<b><u><u>\$ 5,561,721</u></u></b>
---------------------	-----------------------------------

**Liabilities and Net Assets**

Current Liabilities

Current maturities of long term debt	<u>\$ 380,175</u>
Total Current Liabilities	<u>380,175</u>

Long term debt, net of current portion	265,000
----------------------------------------	---------

Total Liabilities	<u>645,175</u>
-------------------	----------------

**Net Assets**

Invested in capital assets	4,639,709
Unrestricted net assets	<u>276,837</u>

Total Net Assets	<u>4,916,546</u>
------------------	------------------

<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 5,561,721</u></u></b>
-----------------------------------------	-----------------------------------

*See independent auditor's report and notes to financial statements*

Sumner County Regional Airport Authority  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Year Ended June 30, 2010

Hangar Lease Revenue	\$ 191,313
Other Operating Revenues	<u>12,458</u>
Total Operating Revenue	203,770
 Maintenance Expense	 43,245
Insurance Expense	14,381
Utilities Expense	21,097
Administrative	37,227
Legal & Professional Expense	33,972
Depreciation Expense	<u>344,619</u>
Total Operating Expenses	494,541
 Net Income (Loss) From Operating Activities	 <u>(290,771)</u>
 Non-Operating Revenue (Expense)	
State funds	228,534
Interest Income,	18,519
Interest Expense	<u>(10,717)</u>
 Total Non-Operating Revenue	 <u>236,336</u>
 Increase (Decrease) in Net Assets	 (54,435)
 Total Net Assets at June 30, 2009 (as restated)	 <u>4,970,981</u>
 Total Net Assets at June 30, 2010	 <u><u>\$ 4,916,545</u></u>

*See independent auditor's report and notes to financial statements*

Sumner County Regional Airport Authority  
Statement of Cash Flows  
For the Year Ended June 30, 2010

**Cash Flows from Operating Activities**

Cash received from customers	\$ 201,655
Cash paid to suppliers and employees	<u>(151,927)</u>

Net Cash Provided By (Used in) Operating Activities	<u>49,728</u>
-----------------------------------------------------	---------------

**Cash Flows from Investing Activities**

Interest income received	<u>18,519</u>
--------------------------	---------------

Net Cash Provided By (Used In) Investing Activities	<u>18,519</u>
-----------------------------------------------------	---------------

**Cash Flows from Non-Capital Financing Activities**

Net Cash Provided By (Used In) Financing Activities	<u>0</u>
-----------------------------------------------------	----------

**Cash Flows from Capital and Related Financing Activities**

State grant payments received	228,534
Repayments on loan from Sumner County	(5,000)
Interest paid on financing	(10,717)
Proceeds from financing for hangar purchase	350,175
County grant matching funds submitted to state	(18,528)
County grant matching funds reimbursed from state	38,661
Cash payments for the purchase of capital assets	<u>(638,821)</u>

Net Cash Flows from Capital and Related Financing Activities	<u>(55,696)</u>
--------------------------------------------------------------	-----------------

Net Increase (Decrease) in Cash and Cash Equivalents	12,551
------------------------------------------------------	--------

Cash and Cash Equivalents at June 30, 2009	<u>292,702</u>
--------------------------------------------	----------------

<b>Cash and Cash Equivalents at June 30, 2010</b>	<b><u><u>\$ 305,252</u></u></b>
---------------------------------------------------	---------------------------------

See independent auditor's report and notes to financial statements

Sumner County Regional Airport Authority  
Statement of Cash Flows  
For the Year Ended June 30, 2010

**Reconciliation of Net Gain to Net Cash Provided by Operating Activities**

Net Loss from Operating Activities	\$ (290,771)
------------------------------------	--------------

Adjustments to Reconcile Net Loss to Net Cash

Provided by Operating Activities:

Depreciation and amortization	344,619
(Increase) decrease in prepaid expenses	(2,005)
Increase (decrease) in deferred revenue	<u>(2,115)</u>

Total Adjustments	<u>340,499</u>
-------------------	----------------

<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 49,728</u></b>
--------------------------------------------------	-------------------------

See independent auditor's report and notes to financial statements

Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2010

**Note 1 – Organization and Reporting Entity**

The Sumner County Regional Airport Authority (the "Authority"), a component unit of Sumner County, Tennessee (the "County") was established in 1981 in accordance with Resolution No. 1181-102 of the Sumner County Commission, pursuant to the Airport Authorities Act as set forth in the Tennessee Code Annotated, 42-3-103. The governing Board of the Authority is selected by the Authority as terms expire and confirmed by the Sumner County Board of County Commissioners. The Authority's eleven member board consists of individuals who have the requisite aviation background or have a lifetime and/or an education background in the aviation field as well as members who are residents of the community. The Authority is managed on a daily basis by a third party administrator (see Note 6).

The Authority meets the criteria set forth in generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit with the County's general purpose financial statements based on the County's responsibility for the appointment of the Authority members, and their approval of capital programs and certain debt issuances. As a component unit of the County, the Authority's financial statements are discretely presented in the County's general purpose financial statements. The accompanying financial statements present the financial position and the changes in net assets and cash flows of the Authority only. The Authority does not have any component units and is not involved in any joint ventures.

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Accounting**

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (the "GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

**Cash, Cash Equivalents and Investments**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. No cash equivalents were held by the Authority as of June 30, 2010.

Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2010

Per Tennessee statutes, bank accounts may only be established and maintained in financial institutions whose deposits are federally insured. Bank account balances (including checking and investment accounts combined) must not exceed the amount federally insured by the FDIC unless the financial institution participates in the State Collateral Pool or pledges collateral for deposits in excess of the insured limits and the collateral is maintained in accordance with state statutes. As of June 30, 2010, the Authority's combined bank account balances exceeded FDIC insured limits by \$371,296. The financial institution does not participate in the State Collateral Pool but has pledged adequate collateral to cover the excess risk.

### **Receivables**

Receivables are reported at their gross value when earned and reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts is based on collection history, aviation industry trends and current information regarding the credit worthiness of the tenants and others doing business with the Authority. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected. The Authority determined an allowance for uncollectible amounts was not needed as of June 30, 2010.

### **Capital Assets**

Capital assets are recorded at historical cost. Subsequent acquisitions of new assets and expenditures which substantially increase the useful lives of existing assets exceeding \$7,500 are recorded at cost. Other acquisitions below this threshold are expensed in the period incurred.

Maintenance and repairs are expensed as incurred. In the future, when properties are disposed of, the related costs and accumulated depreciation will be removed from the respective accounts and any gain or loss on disposition will be credited or charged to an expense. Capital assets will be written off when fully depreciated unless clearly identified as still being in use.

Capital assets are depreciated over their estimated useful lives. Office equipment, computers and fixtures are fully expensed in the year of purchase. The estimated lives by general classification are as follows:

	<u>Years</u>
Buildings .....	30
Building and land improvements.....	10-15
Large equipment and vehicles .....	10
Small equipment and vehicles .....	5

Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2010

### **Capital Contributions**

Certain expenditures for airport capital improvements are significantly funded through State allocation or grant programs. Capital funding provided under government grants is considered earned as the related allowable expenditure is incurred.

Grants for capital asset acquisition, facility development and rehabilitation are reported in the Statement of Revenues, Expenses and Changes in Net Assets, after non-operating revenues and expenses as capital contributions.

### **Revenue**

The Authority provides hangars for pilots who use the Airport facilities and one hangar for the Fixed Base Operator (FBO). The majority of the hangars were built and are owned by the Authority, however, eleven of the hangars were built and are owned by private individuals. The Authority leases to the owners the underlying land related to the hangars privately built. The ownership of the eleven hangars built by private individuals will transfer to the Authority at the end of their respective thirty year lease terms. Underlying land leases range from \$40 to \$323 month. Leases on hangars built and owned by the Authority have rents which range from \$145 to \$175 per month for individual hangars and \$500 and \$3,750 per month for the two corporate hangars.

### **Deferred Revenue**

The Authority records hangar rent collected in advance of the months in which it is earned as deferred revenue. Deferred revenue was \$0 at June 30, 2010.

### **Net Assets**

In conformity with GASB Statement No. 34, net assets have been labeled and displayed in three components: "invested in capital assets, net of debt", "restricted" and "unrestricted". As of June 30, 2010, there were no restricted net assets.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimated.



Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2010

**Note 3 - Litigation**

During fiscal year 2010, the lawsuit titled Northstar Environmental Group v. Sumner County Regional Airport Authority was resolved in favor and resulted in no financial liability from the Authority. The Authority currently is not a party to any litigation.

**Note 4 – Long Term Debt**

Long term debt at June 30, 2010 consisted of the following:

3.00% bank note with interest payable monthly. Note matures July 31, 2010; collateralized by a certificate of deposit (see note 14 regarding refinancing below)	\$350,175
Non-interest bearing loan from Sumner County, Tennessee requiring \$2,500 monthly installment payments beginning June 1, 2010 and ending June 1, 2020 (see note 13 regarding prior period adjustment below)	<u>295,000</u>
Total long term debt	645,175
Less: amounts due in 12 months or less	<u>(380,175)</u>
Net long term debt	<u>\$265,000</u>

**Note 5 - State Grants**

During the year ended June 30, 2010, a total of \$228,534 in federal and state grant monies were paid by the State of Tennessee to the Authority. These funds were disbursed for various construction and maintenance projects. The construction is overseen by the State and all expenditures are reviewed for propriety by the State. None of these funds are required to be repaid.

At June 30, 2010, the Authority had \$155,465 remaining on deposit with the State of Tennessee for matching portions of grants that have been awarded to the Authority. Matching funds are recognized by the Authority on a pro rata basis as the underlying projects are completed and grant funds are released by the State.

At June 30, 2010 the Authority held approved State grants with \$2,628,003 remaining and available to the Authority and was liable for \$397,000 in local matching funds that were not yet submitted to the grantor agency.

Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2010

**Note 6 - Airport Management**

The Authority has contracted with Jet Harbor, Inc. to act as Fixed Base Operator for the airport. As FBO, Jet Harbor, engages in flight instruction, aircraft rental, aircraft maintenance, aircraft charter and the sale of fuel and lubricants. The Authority has contracted with J & S Properties to perform daily management duties for \$2,500 per month. During the year ended June 30, 2010, management expense totaled \$30,000.

**Note 7 - Budget**

The Authority is not required by law or GASB to utilize a budget and does not do so.

**Note 8 – Fixed Assets**

Non-depreciable assets owned by the Authority consist solely of land recorded at cost. Eleven privately built hangars were removed from the airport's fixed assets in previous years. These hangars are leased by private parties on thirty year terms and ownership of the hangars will revert to the Authority at the conclusion of the respective leases. Depreciation expense for the year ending June 30, 2010 totaled \$344,619.

The following is a summary of the Authority's depreciable and non-depreciable assets as of June 30, 2010:

<b>Depreciable Assets</b>	<b>June 30, 2009</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2010</b>	<b>Accum Deprec</b>	<b>June 30, 2010</b>
Buildings	4,436,182	764,292	-	5,200,474	3,333,763	1,866,711
Building Improvements	149,471	-	-	149,471	136,050	13,421
Leasehold Improvements	1,417,605	612,566	-	2,030,172	353,095	1,677,077
Equipment	297,061	80,000	-	377,061	89,950	287,111
<b>Total</b>	<b>6,300,319</b>	<b>1,456,858</b>	<b>-</b>	<b>7,757,178</b>	<b>3,912,858</b>	<b>3,844,320</b>
<b>Non-depreciable Assets</b>						
Land	717,415		-	717,415	-	717,415
Construction in Progress	998,250		920,276	77,974	-	77,974
<b>Total</b>	<b>1,715,665</b>	<b>-</b>	<b>920,276</b>	<b>795,389</b>	<b>-</b>	<b>795,389</b>
<b>Total Assets</b>	<b>8,015,984</b>	<b>1,456,858</b>	<b>920,276</b>	<b>8,552,567</b>	<b>3,912,858</b>	<b>4,639,709</b>

Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2010

**Note 9 – Related Party Transactions**

During the year ended June 30, 2010 the Authority did not receive any funds from Sumner County or the City of Gallatin. Certain board members lease hangars for their private aircraft. Total revenues derived from board members was approximately \$24,640. These leases are structured on the same terms as those leases made to the general public.

**Note 10 - Risk Financing Activities**

The Authority is exposed to certain risks of loss related to its buildings (hangars), equipment and infrastructure improvements. The Authority is not covered by the Sumner County Self Insurance Plan, but has obtained insurance as required by the "Airport Minimum Standards and Rules and Regulations". The Authority has had no settlements in excess of insurance coverage in the past three years.

**Note 11 - Leases**

The Authority has a 30 year lease for certain privately built hangers whose ownership reverts to the Authority at the end of the lease period. These hangars were removed from fixed assets in previous years. The value of these hangars is estimated at \$1,260,000.

**Note 12 – Other Noncurrent Assets**

Other assets listed on the balance sheet of \$130,497 include assets not placed in service at June 30, 2010, advance costs on land acquisitions expected to be reimbursed under federal grants, and expenditures to date on an environmental assessment not completed at year end. All of these assets are expected to transition to capital assets within the next year.

**Note 13 – Prior Period Adjustment**

At June 30, 2009 the Authority and the Sumner County Commission had not resolved the nature of a \$300,000 transfer of funds from the County to the Authority that occurred in the prior fiscal year. On May 21, 2010, the parties agreed to treat the transfer as a loan as outlined in Note 4 above. The transfer was treated as revenue in 2009 and became a component of net assets and has now been restated as a long term liability and removed from net assets.

Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2010

**Note 14 –Subsequent Events**

Authority management has evaluated subsequent events through November 19, 2010, which is the date of the Accountants' Report and the date the financial statements were available to be issued. Subsequent to year end, the Authority renewed the bank promissory note outlined in Note 4 for an additional year at the same amount with an interest rate of 2.489%. The note remains collateralized by a certificate of deposit which had a balance of \$316,044 at June 30, 2010.

**\*\*\* End of Notes \*\*\***

## Other Reports

**Carl A. Davis & Company**  
**Certified Public Accountants**  
131 Maple Row Boulevard  
Suite A100  
Hendersonville, TN 37075

Phone: 615-822-0231

Fax: 615-822-2220

**Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Members of the Board of Commissioners  
Sumner County Regional Airport Authority  
Gallatin, Tennessee

We have audited the financial statements of the Sumner County Regional Airport Authority, a component unit of Sumner County, Tennessee, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiencies described as Findings 2010-1 and 2010-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

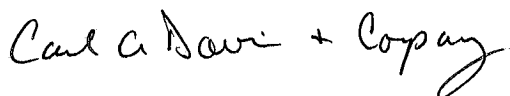
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board, management, and others within the organization, the County Commission and federal awarding agencies, pass-through entities and other regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.



Carl A. Davis & Company, CPA's  
Hendersonville, Tennessee  
November 19, 2010

**Sumner County Regional Airport Authority  
Schedule of Audit Findings and Responses  
For the Year Ended June 30, 2010**

**A. Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the financial statements of the Sumner County Regional Airport Authority.
2. There are two significant deficiencies that are considered material weaknesses.
3. No instances of noncompliance material to the financial statements of the Authority were disclosed during the audit.

**B. Findings – Financial Statements Audit**

**Finding 2010-1 (repeat finding)**

Statement of Condition

The Authority has an inadequate segregation of duties.

Criteria

Internal controls should include adequate segregation of duties.

Effect of Condition

The absence of segregation could increase the opportunity to misstate or misuse the Authority's funds.

Cause of Condition

The size of the Authority's management precludes the ability to segregate the necessary accounting functions.

Recommendation

Management should continue to look for opportunities to increase Board oversight and controls.

Management Response

The Authority's Board, officers and management work together and openly share all financial information relevant to the operation of the airport. We continue to believe the current management structure is the best use of the State, County, and customer resources and we will continue to strengthen controls as appropriate.



**Sumner County Regional Airport Authority**  
**Schedule of Audit Findings and Responses**  
**For the Year Ended June 30, 2010**  
**(continued)**

**Finding 2010-2 (repeat finding)**

Statement of Condition

The Authority does not have internal financial management with a level of expertise that allows the preparation of financial statements and footnote disclosures in conformity with generally accepted accounting principles (GAAP).

Criteria

Recently enacted accounting and auditing requirements place an expectation on the entity to have sufficiently knowledgeable financial expertise as part of management.

Effect of Condition

The lack of internal financial management inhibits financial reporting.

Cause of Condition

The Authority has no employees and is managed by its Board and a contracted manager.

Recommendation

We recommend the Authority implement review procedures to ensure that the financial statements are prepared in conformity with GAAP.

Management Response

The Authority believes that its present management structure is able to present core financial statements that are auditable and that fairly reflect the operations of the airport. We believe that expanding the current management structure to accomplish these guidelines does not strengthen its financial or operational position and would only serve to consume resources that can be used to better the airport operation.